

## Message Text

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ACTION EUR-25

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EB-11 EA-11 FRB-02 INR-10 NEA-10 NSAE-00 RSC-01

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS

AMEMBASSY MADRID

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E.O. 11652: N/A

TAGS: EIND, ETRD

SUBJECT: FERROUS SCRAP DISCUSSIONS WITH EC OFFICIALS

REF: A) EC BRUSSELS 5975

B) EC BRUSSELS 5790

1. SUMMARY: WILLIAM POLIK OF THE DEPARTMENT AND  
A MISSION OFFICER MET ON OCT 23 WITH EC COMMISSION DIRECTOR  
FOR STEEL, PETRICK, AND HIS COLLEAGUES IN THE INDUSTRY  
AND EXTERNAL RELATIONS DIRECTORATES TO DISCUSS THE US  
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FERROUS SCRAP OUTLOOK AND EXPECTED FOREIGN DEMAND IN CY

1974. THE MAIN POINTS OF DISCUSSION FOLLOWS. END SUMMARY

2 US REPS TOLD THE COMMISSION OFFICIALS THAT INCOMPLETE REPLIES TO THE USG REQUEST FOR ESTIMATES OF CY 1974 SCRAP REQUIREMENTS FROM LEADING US FOREIGN SCRAP BUYERS INDICATED THAT 1974 FOREIGN DEMAND MIGHT BE ON THE ORDER OF 16 MILLION SHORT TONS (MST), APPROXIMATELY ONE-THIRD MORE THAN 1973 RECORD HIGH EXPORTS OF APPROXIMATELY 12 MST. THEY SAID THAT THE USG WAS CURRENTLY EVALUATING 1974 SCRAP SUPPLY-DEMAND DATA IN CONNECTION WITH DECISIONS ON 1974 EXPORT POLICY. AT THE COMMISSION'S REQUEST, THE US REPS ALSO PROVIDED DETAILS OF FERROUS SCRAP HARDSHIP COMMITTEE OPERATIONS AND PROCEDURES.

3. PETRICK REVIEWED THE EC'S 1974 SCRAP REQUIREMENTS (REPORTED REFTEL A), AND SAID THAT WHILE OTHER COUNTRY ESTIMATES MIGHT HAVE BEEN INFLATED IN HOPES OF OBTAINING MORE US SCRAP IN 1974, EC ESTIMATES ARE REALISTIC SINCE THE FIGURES ARE TAKEN FROM THE OVERALL EC STEEL PROGRAM, TO BE PUBLISHED AT THE BEGINNING OF 1974. HE REITERATED THE URGENT ITALIAN NEED FOR US SCRAP DURING REMAINDER 1973, AND CONTINUED SUBSTANTIAL REQUIREMENTS US SCRAP IN 1974. HE EXPRESSED THE VIEW THAT ANY USG SCRAP ALLOCATION SYSTEM FOR 1974 SHOULD BE BASED ON HISTORIC TRADE PATTERNS WHICH SHOWED ITALY AS A MAJOR FOREIGN BUYER OF US SCRAP. HE DID NOTE THAT THE COMMISSION'S MAIN OBJECTIVE NOW WAS TO BE ON THE "SAFE SIDE" IN 1974. PETRICK SAID THAT THE EC WAS DOING WHAT IT COULD FOR ITALY, BUT THAT EC EFFORTS WERE BEING HAMPERED BY OVERLAND TRANSPORTATION DIFFICULTIES (RAILROAD BOXCAR SHORTAGES; AND LIMITED RAIL ACCESS OVER THE ALPS).

4. STILL DISCUSSING ITALY'S SHORT-TERM SCRAP NEEDS, POLIK NOTED THAT SPAIN ESTIMATED A SHARP INCREASE IN THE NEED FOR US SCRAP IN 1974 (AS REPORTED MADRID 5994), LARGELY BECAUSE OF THE EXPECTED CUT-OFF OF UK SCRAP EXPORTS TO SPAIN AS RESULT OF THE EC SCRAP EXPORT BAN. US REPS QUESTIONED PETRICK RE REPORTED CUT-OFF THESE UK SCRAP LIMITED OFFICIAL USE

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EXPORTS, AND ASKED (ASSUMING SPANISH REPORTS ACCURATE) WHETHER SOME OF FORMER UK SCRAP EXPORTS TO SPAIN MIGHT NOW BE SENT TO ITALY. PETRICK REPLIED THAT UNDER TRANSITIONAL EC ENTRY ARRANGEMENTS, UK CURRENTLY UNDER NO OBLIGATION TO RESTRICT SCRAP EXPORTS OUTSIDE OF EC, AND THAT CURRENT UK SCRAP RESTRICTIONS WERE IMPOSED ALMOST ENTIRELY TO MEET DOMESTIC UK SCRAP NEEDS. HOWEVER, WHILE UK UNDER NO OBLIGATION TO DO SO, PETRICK HOPED UK WOULD BE ABLE TO

HELP ALLEVIATE ITALIAN SCRAP NEEDS. ON THIS POINT PETRICK MENTIONED THAT HE HAD RECENTLY REACHED AN UNDERSTANDING WITH THE UK WHEREBY THE UK WILL PROVIDE EC WITH A MONTHLY 25,000 METRIC TON SCRAP EXPORT QUOTA BEGINNING JANUARY 1974 (WITH MOST OF THIS SCRAP EXPECTED TO GO TO ITALY).

5. LOERKE OF EXTERNAL RELATIONS RECALLED THAT THE COMMISSION SIDE MAY RAISE RAW SCRAP AS AN EXAMPLE OF A SUPPLY MANAGEMENT PROBLEM DURING NEXT WEEK'S SOAMES/CASEY TALK (SEE REFTEL B). PETRICK EXPRESSED HOPE THAT US-EC SCRAP CONSULTATIONS COULD BE HELD SOON SO THERE WILL BE SUFFICIENT TIME FOR THE EC INPUT TO BE CONSIDERED IN DEVELOPING USG'S 1974 SCRAP POLICY. HE SAID THAT THE EC WOULD ALSO LIKE THE NEXT SCRAP CONSULTATIONS TO BE HELD IN BRUSSELS, ALTHOUGH HE SAID HE PERSONALLY IS NOT FUSSY OVER THIS POINT. GREENWALD

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